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SUBJECT: PMDB PARTY AGAIN THREATENS TO LEAVE BRAZIL'S GOVERNING COALITION

1. (SBU) SUMMARY. Brazil's PMDB party, a large but unreliable member of President Lula's ruling coalition, is going through another bout of angst about whether to leave the coalition. A November 10 meeting of the party's leadership left such a threat --made by the party's "oppositionist wing"-- hanging in the air. Meanwhile, the party's "governist wing" would rather remain in Lula's administration and enjoy the fruits of collaboration, which include government appointments and pork spending. The PMDB has teetered between government and opposition for the two years of Lula's term, and threats by party leaders to pull out are widely seen as an attempt to extort more perks. The PMDB's unreliability is a running headache for the administration, whose leaders never know how the party's 78 Deputies and 23 Senators will vote. On December 12, the PMDB will hold a national convention to decide its future. In the meantime, administration leaders will look for ways to appease the dipterous party. In the past, decision-points such as this have always resulted in the PMDB's remaining in the coalition but making more demands for perks. If the party pulls out of the coalition, it would be a significant blow to Lula's legislative agenda. But with its fractiousness, the PMDB weakens the coalition nearly as much from the inside as it would from outside. END SUMMARY.

#### THE PMDB'S "PHYSIOLOGY"

2. (SBU) The Party of the Brazilian Democratic Movement (PMDB) defines the Brazilian term "physiologist", a pejorative denoting a person or party for sale, always seeking personal advantage. The party survives on a vast grass-roots apparatus built around regional chiefs and patronage networks, which it nurtures by joining the governing coalition at the state or federal level whenever possible. This pattern results in some incongruous alignments. For example, the party struggles bitterly against President Lula's Workers' Party (PT) in some states while working in coalition with it in others. The PMDB was a member of former-President Cardoso's administration, but within months after Lula took office in 2003, the PMDB had worked its way into his administration. The party's status as a full coalition member was cemented in January 2004 when Lula shuffled his cabinet to create two vacancies (Communications and Social Security) for PMDB ministers.

#### MOTIVES OF THE "OPPOSITIONISTS"

3. (SBU) It has been a rocky two years. Lula needs the PMDB because of its size (78 Deputies and 23 Senators). But the party is guided by a large "oppositionist wing" that votes against the administration in Congress, criticizes it in public, and incessantly begs for more perks. Lula typically gets only 50-70% of the PMDB's floor votes. The oppositionists are not guided by principle, but by fluid assessments of their own interests, which range from the parochial in local party struggles to decisions about the 2006 presidential race: whether the PMDB will support Lula, or will support the PSDB challenger, or will run its own candidate. Each option carries risk. The PMDB will never be more than an unrespected junior partner in Lula's coalition, and while staying with Lula brings certain benefits and may even yield the vice-presidential slot on Lula's 2006 slate, it would also doom many PMDB candidates in state and congressional races who will be facing PT opponents. By the same token, leaving the coalition now would mean giving up the cherished cabinet slots and hundreds of mid-level government appointments. As for the third option, despite Anthony Garotinho's self-promotion, the party has no national stars capable of making a credible challenge to Lula in the 2006 presidential race.

4. (SBU) Among the "oppositionists", none clamors louder than Garotinho, who runs the party's Rio branch and needs to open some daylight between himself and Lula if he is to launch another run at the presidency. Similarly, some PMDB governors (e.g., in Rio Grande do Sul, Pernambuco, and Rio de Janeiro) face tough struggles with their local PT opponents and need to clarify the battle lines before 2006. Party president and Federal Deputy Michel Temer of Sao Paulo, has suggested looking for a third way, whereby the party becomes "independent" rather than joining either the government or

opposition. This approach is ridiculed by Senate President Jose Sarney, who comments, "A position of 'independence' means to sit on the fence, and in politics there are no fences."

#### "GOVERNISTS" LIKE THE STATUS QUO

5. (SBU) The party's "governists" include Senate President Jose Sarney, leading Senator Renan Calheiros, and Communications Minister Eunicio Oliveira. All are northeasterners, and all have benefited from a close relationship with the administration. Sarney's machinations in the Senate have helped the administration out of more than one jam in the past two years. But his desire to remain as Senate President, and Calheiros' desire to replace him in February 2005, have left both in an unseemly scramble for administration support. The "governists" command only a minority in the PMDB leadership, and Sarney's pro-administration speech at the November 10 party leadership meeting was met with a thunderous silence. Oliveira, however, notes that October's municipal elections raised the adrenaline all around, and once tempers have cooled, the PMDB should remain in the governing coalition.

#### COMMENT - THE MORE THINGS CHANGE...

6. (SBU) The "oppositionist" and "governist" wings are sometimes referred to as "(former-President) Cardoso's widows" and "Lula's courtesans". The real outcome of the November 10 meeting was to call a national convention for December 12. In the past two years, decision points such as this have always had one result: the PMDB remains awkwardly in Lula's coalition but insists on getting more perks in order to solidify its wavering loyalties. It is possible that this time will be different. October's municipal elections reanimated many of the local PT-PMDB party struggles that had lain dormant earlier in Lula's term. And the elections also marked Lula's halfway point, meaning the parties must begin in earnest their jockeying for the 2006 national elections.

7. (SBU) In advance of the December 12 PMDB convention, look for the administration to throw some bones to the party, ranging from pork spending (Lula has queued up some USD\$200 million in funding for "congressional amendments" to be disbursed by year's end), to a promise of more policy influence within the administration, to an offer of the vice-presidential slot on Lula's 2006 campaign slate. If, on December 12, the PMDB chooses to remain in the coalition, look for this same crisis to erupt again in 2005.

8. (SBU) It would be a blow to Lula if the PMDB were to pull out of the coalition and leave his legislative agenda in limbo. But the PMDB has never pretended to be more than a high-maintenance ally-of-convenience whose constant sniping often exposes coalition fissures. If the party were to bolt, it would leave a power vacuum and empty cabinet seats that could be filled by other parties, while Lula could win over many PMDB votes in Congress with special favors. At this moment we do not judge that the PMDB is any more likely to leave the coalition than it was in the past. But if the balance of power should turn by the December 12 party convention, the coalition would be damaged but not crippled by the party's departure.

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